

Commissioner Stewart Outlaws “Widow’s Penalty” In Setting Auto Insurance Rates

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Says Practice Is Not Supported By Facts

DOVER, DE – Insurance Commissioner Karen Weldin Stewart announced today that she will not approve any auto insurance company’s rate submission that includes a “widow’s penalty,” under which a widow or widower is charged a higher rate based solely on the change in his or her marital status following the loss of a spouse.

“This so-called ‘widow’s penalty’ is completely unfair,” said the Commissioner. “Becoming a single driver because of the death of your spouse is not the same as being a young, inexperienced single driver. I will not approve any auto insurance rate filings that cannot provide actuarially sound data for including widows and widowers in a higher single rate category.”

Automobile insurance companies are permitted to charge inexperienced drivers, such as teenagers, a high premium because some actuarial studies show that young single drivers file more claims than young married drivers. However, the Delaware Insurance Department is not aware of any such data showing that older single drivers exhibit the same behavior when compared to older married drivers.

The Insurance Department recognizes that marital status is not the only reason why auto insurance premiums can change following the loss of a spouse. For instance, many companies offer multi-policy discounts for having both life and auto policies with that company. If one of those policies ends, such as a life insurance policy after a spouse dies, that discount may be cancelled. Also, a married couple on a policy might have their driving records considered together when determining the premium. When one spouse dies, the premium will change to reflect the risk of the remaining driver. If that driver has a better driving record than his or her spouse, the premium may go down. However, the reverse is also true.

The new policy, contained in Auto Bulletin No. 23, is effective immediately and is directed to all insurers writing automobile insurance coverage in Delaware. Commissioner Stewart reminds consumers that the policy only applies to rate reviews going forward, so current policyholders should shop around and get quotes from other insurance companies if their auto premium has recently increased.

The full text of Auto Bulletin 23 may be found at <http://www.delawareinsurance.gov/departments/documents/bulletins/autobull23.pdf>

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